

TO: Members of the Honolulu City Council

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HEARING: 10 a.m. Wednesday, May 10, 2017

SUBJECT: Bill 42, Allowing City Funds for Rail Construction – OPPOSE

Aloha Chair Menor and Councilmembers,

During oral testimony on Bill 42, which would allow city funds to be used for rail construction, I brought up concerns about HART's recovery plan. Attached is the cash flow projection I referred during my testimony.

In year 2025 of the projection, \$525 million of additional debt is to be incurred. This new debt creates excess cash at the end of that year, and while it is reduced over the next couple of years, will cost taxpayers an estimated 3% in interest charges or about \$11 million. Note that the prior eight years had ending cash balances of \$25 million.

This projection may look familiar, because it was included in HART's December 1, 2016, updated financial plan that was sent to the FTA with a copy sent to councilmembers. I brought up the question of the excess cash at a recent budget committee meeting and had naively thought that it would be revised for the recovery plan. Instead I was recently told that it is merely "a placeholder." This should not be acceptable.

In addition, Plan B in the recovery plan looks like a half-hearted attempt at following the FTA's request.

Please also note that if the legislature decides not to extend the surcharge, councilmembers should vote on Bill 42 rather than merely inserting city funds in the budget(s) for rail. We were told city funds would not be used to pay for rail construction, and we deserve to hear each councilmember vote specifically on this issue.

Figure 6-2: Project Financing Requirements

(\$ in millions)	Fiscal Years												
	Feb-16	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Cash Balance	\$298	\$192	\$95	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$209	\$141
Project Funding Sources:													
G.E.T.	\$1,259	\$61	\$236	\$246	\$257	\$268	\$279	\$291	\$304	\$317	\$330	\$344	\$359
Federal Grant	\$515	\$54	\$192	\$212	\$254	\$323	\$0	\$0	\$0	\$0	\$0	\$0	\$0
All Other	\$6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$1,780	\$115	\$428	\$458	\$511	\$591	\$279	\$291	\$304	\$317	\$330	\$344	\$359
Total Project Sources	\$1,780	\$115	\$428	\$456	\$511	\$591	\$279	\$291	\$304	\$317	\$330	\$344	\$359
Project Uses:													
Total Project Costs	\$1,885	\$213	\$706	\$875	\$870	\$1,158	\$691	\$773	\$571	\$333	\$116	\$89	\$26
Debt Service	\$0	\$0	\$7	\$20	\$34	\$51	\$74	\$94	\$112	\$125	\$128	\$120	\$112
Total Project Uses	\$1,885	\$213	\$713	\$896	\$904	\$1,209	\$765	\$868	\$682	\$458	\$243	\$209	\$137
Net Current Change	(\$105)	(\$98)	(\$265)	(\$438)	(\$394)	(\$618)	(\$486)	(\$577)	(\$379)	(\$141)	\$87	\$136	\$222
Debt Proceeds	\$0	\$0	\$215	\$653	\$660	\$892	\$836	\$946	\$777	\$649	\$526	\$0	\$0
Less Debt Repayment	\$0	\$0	\$0	(\$215)	(\$267)	(\$274)	(\$350)	(\$370)	(\$398)	(\$508)	(\$429)	(\$204)	(\$251)
Ending Cash Balance	\$192	\$95	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$209	\$141	\$111

Appendix J provides discusses the financial impacts of potential scenarios currently being discussed by the State Legislature.